# IDAHO OUTLOOK

## *NEWS OF IDAHO'S ECONOMY AND BUDGET*

**STATE OF IDAHO** **DIVISION OF FINANCIAL MANAGEMENT** **MARCH 2006 VOLUME XXVIII NO. 9**

The Mountain Region enjoyed the fastest employment growth of the Census' nine regions. This region consists of Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming. From December 2004 to December 2005, Mountain nonfarm employment expanded an impressive 3.6%. In comparison, U.S. nonfarm employment grew by less than half this pace, 1.4%. The region's strength reflected the strong showings of its individual states. Four of the nation's healthiest job markets (Nevada, Arizona, Utah, and Idaho) were in this region and all of the Mountain Region's states made the list of the nation's fifteen fastest growing job markets.

Is a repeat of last year's stellar job growth likely over the next couple of years? According to economic forecasting firm Global Insight, it is. The Mountain Region's nonfarm employment growth rate is expected to slow slightly to an average of 2.7% from 2005 to 2007. But even at this slower pace, it will be the nation's fastest growing area. This standing once again reflects the strengths of this region's states. Specifically, seven of the region's eight states are expected to remain in the list of the top 15 fastest growing states, with just Wyoming dropping out. Nevada ranks first in 2006 and second in 2007. Arizona moves from second in 2006 to third in 2007. Colorado ranks 14th this year and sixth next year. Idaho's job growth rates fifth in 2006 and fourth in 2007. Montana drops from seventh in 2006 to 11th the next year. New Mexico is ranked ninth in both years.

**Predicted Nonfarm Job Growth**

| | *2006* | | | | *2007* | | | |
|---|---|---|---|---|---|---|---|---|
| | **Global Insight** | **Rank** | **Western Blue Chip** | **Rank** | **Global Insight** | **Rank** | **Western Blue Chip** | **Rank** |
| Arizona | 3.9% | 2 | 4.0% | 2 | 2.7% | 2 | 3.7% | 2 |
| Colorado | 1.8% | 6 | 2.2% | 6 | 1.9% | 4 | 1.9% | 6 |
| Idaho | 2.7% | 4 | 2.3% | 5 | 2.5% | 3 | 2.2% | 4 |
| Nevada | 5.0% | 1 | 4.5% | 1 | 3.7% | 1 | 4.0% | 1 |
| New Mexico | 2.2% | 5 | 2.0% | 7 | 1.8% | 5 | 2.0% | 5 |
| Oregon | 2.2% | 5 | 2.4% | 4 | 1.3% | 6 | 2.0% | 5 |
| Utah | 2.8% | 3 | 3.2% | 3 | 1.8% | 5 | 2.9% | 3 |

It is interesting to see how Global Insight's nonfarm employment forecasts compare to those of other prognosticators. To do this, we have assembled the accompanying table that has both Global Insight's predictions and the state-level consensus forecasts reported in the March 9, 2006 *Western Blue Chip Economic Forecast* published by Arizona State University's W.P. Carey School of Business for the Mountain Region's states. (Montana and Wyoming are not included in the Blue Chip economic forecast.) The table shows both Global Insight and the Blue Chip forecasters agree that growth will slow slightly for most states after this year. Both groups believe Nevada, Arizona, and Utah, in that order, will be the fastest growing states in this region in 2006. Idaho will be either the fourth or fifth fastest growing state. Global Insight predicts Colorado will be the slowest growing state, and the Blue Chip group predicts it will be New Mexico.

Nevada is expected to remain the region's job growth leader in 2007 followed by Arizona. Idaho moves up one place from 2006 to 2007 in both the Global Insight and Blue Chip forecasts. Both forecasting groups agree Oregon and New Mexico will be the region's slowest growing states in 2007. They disagree on Utah and Colorado, however. Global Insight projects Colorado will climb from the cellar in 2006 to the fourth-place slot in 2007. The Blue Chip forecasters are not as bullish on the Centennial State. They predict it will remain in sixth place in 2007. Global Insight expects New Mexico will remain at fifth place in 2007, but Blue Chip forecasters project the Land of Enchantment will improve from seventh (last) place this year to fifth place next year.

The Mountain States Region is expected to remain the nation's job growth champion over the next five years. Specifically, this region should average 5.2% nonfarm employment growth in 2005 and 2006 and about 3.8% growth thereafter. In contrast, the nation's projected annual growth rate for 2005 and 2006 is 3.6% followed by about 3.1% per year through 2011.

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## General Fund Update

As of February 28, 2006

| Revenue Source | $ Millions<br>FY06<br>Executive Estimate[3] | DFM<br>Predicted to Date | Actual<br>Accrued to Date |
|---|---|---|---|
| Individual Income Tax | 1,096.7 | 698.7 | 674.4 |
| Corporate Income Tax | 164.4 | 90.0 | 104.3 |
| Sales Tax | 836.4 | 583.8 | 599.7 |
| Product Taxes[1] | 23.2 | 15.7 | 15.8 |
| Miscellaneous | 108.4 | 51.0 | 52.3 |
| **TOTAL GENERAL FUND[2]** | **2,229.1** | **1,439.1** | **1,446.5** |

*1 Product Taxes include beer, wine, liquor, tobacco and cigarette taxes*
*2 May not total due to rounding*
*3 Revised Estimate as of January 2006*

February General Fund revenue collections were $22.1 million lower than expected, bringing the year-to-date balance to $7.4 million ahead of expectations. The principal sources of this drop were the individual income tax and corporate income tax, with a minor share of the drop coming from the miscellaneous category. Sales tax collections were very strong in February, turning in the best performance (by a wide margin) of the fiscal year so far.

The individual income tax moved from $5.0 million ahead of expectations as of the end of January to $24.3 million behind expectations as of the end of February. February's drop was primarily due to refunds that were $27.4 million higher than expected for the month. This represents a continuation of the very significant acceleration in refund processing that has emerged over the past several years. Withholding also contributed to February's results, coming in $2.3 million lower than expected. This component of the income tax is now $1.7 million below the target for the fiscal year to date.

Corporate income tax revenue was $2.7 million lower than expected in February, but this revenue category is still $14.4 million ahead of the predicted amount for the fiscal year to date. The bulk of the month's loss was due to estimated payments that were $2.1 million lower than expected. Filing payments in February were $0.9 million lower than expected.

Sales tax revenue was $10.4 million higher than expected in February. This is by far the widest margin this fiscal year, with August having been $6.0 million higher than expected (against a lower forecasted amount for the full fiscal year). To put this in perspective, gross sales tax collections in February 2006 were only $1.5 million (1.8%) lower than February 2005, when the sales tax rate was 20% higher. Adjusted for the rate change, this February's gross sales tax collections grew by a stunning 17.8 percent. There is little doubt this spectacular sales tax growth is being fueled by the continuing housing and construction boom.

Product taxes were slightly ahead of target in February (but are still only up $0.1 million on a year-to-date basis), while the miscellaneous revenue category was $0.6 million lower than expected for the month. Interest earnings and unclaimed property were each approximately $0.3 million lower than expected for the month. The category remains $1.3 million ahead of the target for the fiscal year to date.